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No. 98-178

IN THE
Supreme Court of the United States
OCTOBER TERM, 1997

NOBELPHARMA AB
AND NOBELPHARMA USA, INC.,
Petitioners,

v.

IMPLANT INNOVATIONS, INC.,
Respondent.

On Petition For A Writ Of Certiorari
To The United States Court Of Appeals
For The Federal Circuit

REPLY BRIEF FOR PETITIONER

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Respondent has failed to offer any persuasive response to Nobelpharma's showing that this Court's review is necessary and appropriate in this case. The decision below raises an important federal question that has been specifically noted, but not yet resolved, by this Court, and decides recurring issues of law that have divided the circuits. For the reasons set forth below and in the petition, certiorari should be granted.

I. This Case Squarely Presents An Opportunity To Resolve The Acknowledged Tension Between The *Noerr-Pennington* Doctrine And *Walker Process*

Respondent offers a hodgepodge of arguments in an attempt to defeat this Court's review of the question left open in *Professional Real Estate Investors, Inc. v. Columbia Pictures Indus., Inc.* ("*PRE*"), 508 U.S. 49, 62 n.6 (1993). None of respondent's arguments has any merit.

1. Respondent contends (Opp. 3, 7, 16-17) that Nobelpharma somehow "waived" the *PRE* issue in the courts below by allegedly failing to object to a *Walker Process* instruction and by objecting to an improper and incomplete jury instruction purporting to address the "sham" exception. To the contrary, Nobelpharma expressly asserted and relied on its entitlement to *Noerr-Pennington* immunity at all stages of the litigation below, and urged both courts below to hold as a matter of law that its conduct in enforcing the patent was not objectively baseless. Thus, Nobelpharma specifically moved for judgment as a matter of law on *Noerr-Pennington* grounds at the close of respondent's case (JA A1089-91, JA A5591-93; App., *infra*, 8a-9a, 11a-12a) and at the close of all the evidence (JA A7032; App., *infra*, 12a), and renewed this argument in its post-trial motions (Pet. App. 38a; JA A1104-05; App., *infra*, 10a). Nobelpharma also challenged the district court's refusal to instruct the jury properly on the "sham" exception. JA A1113 & n.8; App., *infra*, 10a-11a. On appeal, Nobelpharma again raised these errors, seeking a ruling as a matter of law that it was entitled to the protection of *PRE* or, in the alternative, a jury instruction that properly

framed the elements of this defense. Pet. C.A. Br. 19-20, 48-50; Pet. C.A. Rep. Br. 25; App., *infra*, 1a, 3a-5a, 7a.

Moreover, even if there were some possible basis for respondent's waiver argument -- which there is not -- it would not preclude review by this Court. It is well established that this Court will consider questions of federal law that were *either* "pressed" *or* "passed upon" in the court below. As the Court explained in *United States v. Williams*, 504 U.S. 36 (1992), "Our traditional rule . . . precludes a grant of certiorari only when 'the question presented was not pressed or passed upon below.' . . . . That *this rule operates (as it is phrased) in the disjunctive, permitting review of an issue not pressed so long as it has been passed upon*, is illustrated by some of our more recent dispositions." *Id.* at 41 (citing cases; emphasis added). *Accord, e.g., Virginia Bankshares, Inc. v. Sandberg*, 501 U.S. 1083, 1099 n.8 (1991). The first question presented was indisputably "passed upon" below (Pet. App. 22a-26a, 38a-44a), so it is properly before this Court.

2. a. Respondent contends (Opp. 2-3, 7, 18) that the *Noerr-Pennington* issue is not properly presented because the judgment below is supported by an alternative ground. According to respondent, one of the four theories on which the case was submitted to the jury (the so-called patent "misuse" theory) is sufficient to support the judgment -- even though this theory was not even addressed (let alone found adequate to support the judgment) in any of the opinions below.

Respondent is mistaken. This Court has repeatedly held that when a case is submitted on multiple theories of liability and the jury returns a general verdict, the invalidity of any one of the underlying theories compels reversal and a new trial. *See, e.g., Sunkist Growers, Inc. v. Winckler & Smith Citrus Prods. Co.*, 370 U.S. 19, 29-30 (1962); *Maryland v. Baldwin*, 112 U.S. 490, 493 (1884). Respondent cannot demonstrate that the jury's verdict necessarily rested upon the allegedly

valid patent misuse theory, rather than on the invalid *Walker Process* theories, so the general verdict cannot stand. *Id.*[1]

b. In a similar vein, respondent also argues that Nobelpharma would not benefit from a favorable resolution of the *Noerr-Pennington* issue because the court of appeals purportedly concluded that Nobelpharma's litigation conduct was objectively baseless. Opp. 7, 20 (citing Pet. App. 26a). A simple review of the opinion below confirms that the court of appeals said nothing of the kind. Instead, the court merely held that the refusal to instruct the jury on *Noerr-Pennington* was harmless in light of the court's holding that *Walker Process* claims may proceed independently of the *Noerr-Pennington* doctrine. Pet. App. 26a. Indeed, both the district court and the court of appeals had previously held that Nobelpharma's conduct was *not* objectively baseless (*id.* at 46a-47a, 63a, 93a-94a), and nothing in the court of appeals' opinion even hints at a decision to reconsider and reverse those prior determinations. This case is a particularly good candidate for review precisely because the courts below correctly recognized that Nobelpharma's litigation-related conduct *would* be immune from liability if *Noerr-Pennington* were deemed applicable to *Walker Process* claims.

3. Turning to the merits of the *PRE* question, respondent offers several purported grounds for denying certiorari. None has merit.

a. Rather bizarrely, respondent contends (Opp. 6, 8-9) that there is no real tension between *Walker Process* and the *Noerr-Pennington* doctrine because some *Walker Process* claims do not involve petitioning conduct. Even if it were true that *Walker Process* cases do not always involve allegations of improper litigation conduct, that would hardly serve to refute Nobelpharma's showing (and the *PRE* Court's rec-

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[1] The verdict form indicates that the jury made certain findings related to the *Walker Process* theories, but there were no special interrogatories directed to the patent misuse theory. JA A8-A12.

ognition) that there is a clear tension between *Walker Process* and *Noerr-Pennington* in the large category of cases in which the antitrust defendant is alleged to have made improper use of the courts. Pet. 8-14; *PRE*, 508 U.S. at 62 n.6.[2] And in any event, virtually every *Walker Process* claim will involve petitioning conduct of some sort, whether aimed at the Patent Office, the courts, or both, because *Walker Process* claims by definition are predicated on alleged misconduct in procuring a patent from the Patent Office and/or in enforcing a fraudulently obtained patent. 382 U.S. at 177 & n.5. The extent to which the *Noerr-Pennington* doctrine applies to *Walker Process*-type claims is thus a question that is presented in virtually every such case.

Revealing its basic misunderstanding of *Noerr-Pennington* immunity, respondent also argues (Opp. 6, 9) that the First Amendment concerns implicated by *Walker Process* claims simply disappear once a patentee's infringement suit has been dismissed. To the contrary, the First Amendment protects the right to petition government, even unsuccessfully (and even with illicit subjective motivations), as long as the petitioning conduct was not objectively baseless. Indeed, *PRE* stands squarely for the proposition that lack of success in the underlying lawsuit does not deprive the unsuccessful litigant of its entitlement to *Noerr-Pennington* immunity. 508 U.S. at 60 n.5, 63-65. Plainly, therefore, the mere fact that the underlying patent infringement action has been dismissed does not eviscerate the protection that the First Amendment extends to petitioning conduct.

b. Respondent next contends (Opp. 5-7, 9-11, 18-19) that the decision below is correctly decided, either because *Walker Process* and the "sham" exception are independent

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[2] There can be no dispute that this case involves the imposition of liability on Nobelpharma for petitioning conduct, since the jury was explicitly instructed that it could impose liability for Nobelpharma's conduct in bringing its patent infringement lawsuit. JA A7238, A7240-A7241; App., *infra*, 12a-13a.

bases for imposing liability or because *Walker Process* fraud is instead a subset of "sham" litigation that justifies piercing the defendant's *Noerr-Pennington* immunity. In the first place, of course, these arguments go to the merits of the legal question presented in the petition, and are more appropriately left for plenary resolution by the Court. Indeed, respondent's alternative (and mutually inconsistent) arguments serve only to confirm Nobelpharma's showing that the law in this area is presently unsettled and confused, thus necessitating this Court's review.

In any event, respondent's merits arguments are unpersuasive. As explained in the petition (Pet. 8-12), and as the Court in *PRE* implied (508 U.S. at 61-62 n.6), the First Amendment considerations underlying the *Noerr-Pennington* doctrine are fully implicated in the *Walker Process* context, where (absent application of the *Noerr-Pennington* doctrine) defendants who engage in objectively reasonable petitioning conduct would run the risk of severe monetary sanctions based on inherently unpredictable jury determinations of subjectively improper motivation -- precisely the evil that *PRE* sought to avoid. 508 U.S. at 60 (rejecting purely subjective test because that approach "would undermine, if not vitiate, *Noerr*" and "would utterly fail to supply 'real "intelligible guidance"'").

Nor is respondent correct in asserting that proof of the basic elements of *Walker Process* fraud will necessarily satisfy the requirements of the "sham" exception. Indeed, as the district court expressly found (Pet. App. 46a-47a, 63a), this case is a textbook example of the circumstances in which a finding of fraudulent intent is insufficient to prove objective baselessness. *Cf. Music Center S.N.C. v. Prestini Musical Instr. Corp.*, 874 F. Supp. 543, 549 (E.D.N.Y. 1995) ("an inaccurate petition, even one containing deliberate misstatements, might nonetheless not be so lacking in merit as to be objectively baseless"). As the opinion below makes clear, the alleged fraud on the Patent Office was committed by the inventors who filed the patent application; liability was extended to Nobelpharma on the theory that it "brought suit against [res-

pondent] with knowledge of the [inventors'] fraud." Pet. App. 25a. Even if Nobelpharma itself *subjectively* believed that the inventors had failed to disclose material prior art to the Patent Office, however, it would have been *objectively* reasonable for a patentee in Nobelpharma's position to bring suit seeking a dispositive judicial resolution of the patent's validity. Indeed, both courts below recognized this fact (Pet. App. 46a-47a, 93a-94a), and the district court even denied respondent's motion for summary judgment on the patent infringement claim (*id.* at 47a), conclusively demonstrating that "an objective litigant could conclude that the suit [wa]s reasonably calculated to elicit a favorable outcome." *PRE*, 508 U.S. at 60. As a consequence, the First Amendment precludes imposition of liability on Nobelpharma for its conduct in seeking to enforce the patent.

4. Respondent also asserts (Opp. 5-6, 12-15) that the lower courts are not in any disarray over the question whether, and to what extent, the *Noerr-Pennington* doctrine applies to *Walker Process* claims. To the contrary, however, there is a clear lack of judicial consistency on this question.[3] Under the court of appeals' approach, the blanket of *Noerr-Pennington* immunity inexplicably fails to cover *Walker Process* claims; under the approach followed by other courts, by contrast, the *Noerr-Pennington* doctrine and the "sham" ex-

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[3] Notwithstanding the selective quotations offered by respondent (Opp. 15), moreover, the commentators are also divided over this issue. *See* Pet. 16 n.4; *see also* Pritikin & Zessar, *The Sham Litigation Doctrine in Patent Litigation: The Nexus Between Bad Faith Enforcement of Patent Rights and the Antitrust Laws*, in *Intellectual Property Antitrust 1995*, 414 Prac. Law Inst. 661, 684 & n.21 (asserting that "PRE has provided courts with a ready basis to summarily dismiss [*Walker Process*-type] claims").

ception are treated as fully applicable to *Walker-Process*-type cases. *See* Pet. 16-19.[4]

Contrary to respondent's apparent assumption, this difference in approach is not merely academic. As explained above, there are unquestionably cases (like this one) in which a finding of *Walker Process* fraud will not suffice to prove that the antitrust defendant's petitioning conduct was objectively baseless. Under the Federal Circuit's approach, such cases will be decided in a manner directly inconsistent with *PRE* and the *Noerr-Pennington* doctrine, because antitrust liability will be imposed on the basis of objectively reasonable petitioning conduct. By contrast, those courts that apply *Noerr-Pennington* in these circumstances can be expected to reach the correct conclusion that liability cannot be imposed absent a showing of "objective baselessness." No resolution of this difference of opinion among the lower courts will be achieved unless this Court takes the opportunity presented here to decide this important question.

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[4] Respondent's attempts to distinguish the cases cited by Nobelpharma are unpersuasive, because respondent does not even address (let alone refute) Nobelpharma's showing that each of those cases treats the *Noerr-Pennington* doctrine as fully applicable to *Walker Process* claims -- in stark contrast with the decision below. *See* Pet. 17-18. Particularly meritless is respondent's attempt to distinguish *Hydranautics v. Filmtec Corp.*, 70 F.3d 533 (9th Cir. 1995), on the ground that the *Hydranautics* court declined to decide whether "[the patentee's] alleged fraud would render [its] infringement claim objectively baseless." Opp. 13 n.3 (quoting 70 F.3d at 538 n.1). The quoted passage actually supports Nobelpharma's point, because it reveals the *Hydranautics* court's understanding that proof of fraud does not necessarily establish objective baselessness. Importantly, moreover, the *Hydranautics* court remanded both of those issues for resolution by the district court, further confirming that the question of objective baselessness must be answered even in a *Walker Process* case -- a view that is directly contrary to the rule adopted by the Federal Circuit here.

II. The Question Whether Mere Omissions Are Sufficient To Establish *Walker Process* Fraud Is Properly Presented And Worthy Of Review

1. Respondent contends (Opp. 3, 5, 7, 21) that the question whether mere omissions suffice to prove *Walker Process* fraud was waived by Nobelpharma's failure to object to the district court's jury instructions. What respondent ignores, of course, is that the court of appeals expressly decided this question in both of its opinions below, answering it differently each time. As previously noted, this Court will decide questions that are otherwise worthy of review as long as they were *either* "pressed" *or* "passed upon" below. *United States v. Williams*, 504 U.S. at 41. Respondent's waiver argument thus provides no basis for denying review here.

2. Respondent next attempts to disavow the decision of the court below, arguing that this case is not in fact one in which the antitrust defendant's liability was based on mere omissions. Opp. 21-22. The decisions of the court below are squarely to the contrary. In its initial decision below, the court reversed the jury's finding of fraud based on its determination that mere omissions are legally insufficient to prove *Walker Process* fraud. Pet. App. 91a-93a. As a necessary predicate to that holding, the court squarely held that "*there exists no evidence of any affirmative misrepresentation that would constitute . . . fraud.*" *Id.* at 91a (emphasis added).

On rehearing, of course, the panel reversed itself on the legal question whether omissions are a legally sufficient basis for the imposition of liability (*id.* at 20a-21a), and on that basis upheld the jury's finding of fraud. *Id.* at 24a-25a. The sole factual predicate found sufficient by the court of appeals, however, was the omission of the 1977 book from the patent application; the court explicitly *declined* to revisit its earlier determination that there was no evidence of affirmative misrepresentations sufficient to justify the jury's verdict. *Id.* at 24a n.9. And indeed, the court's reversal of position on the legal question would have been wholly unnecessary had the court been able to discover any evidence of legally sufficient affirmative misrepresentations. Accordingly, respondent's

wishful assertions to the contrary notwithstanding, this case squarely presents the question (decided twice by the court below) on which Nobelpharma seeks certiorari.

3. Respondent disputes the existence of a circuit conflict on this issue, asserting that no case has rejected the imposition of *Walker Process* fraud liability on the basis of mere omissions. Opp. 22-24. To the contrary, however, *Beckman Instr., Inc. v. Chemtronics, Inc.*, 439 F.2d 1369 (5th Cir. 1970), is precisely such a case. As Nobelpharma explained at length in its petition (Pet. 22-23), the *Beckman* court held that the plaintiff's patent was invalidated by a deliberate failure to cite material prior art in the patent application (439 F.2d at 1378-80), but refused to impose *Walker Process* fraud liability on those grounds, instead remanding for a determination whether the plaintiff had also engaged in "knowing, willful *misrepresentation* of material facts" so as to permit imposition of antitrust liability. *Id.* at 1381 (emphasis added).

Respondent's efforts to distinguish the other cases cited by Nobelpharma are equally lacking in merit. As the court of appeals itself recognized in its initial opinion (Pet. App. 90a-91a), several circuits have defined the scope of *Walker Process* fraud in a manner that plainly excludes mere omissions, a definition that is irreconcilable with the ultimate holding of the court below. *See* Pet. 21-23. Review is therefore warranted.

III. The Disagreement Among The Lower Courts Regarding The Scope Of The Crime-Fraud Exception Is Properly Presented And Worthy Of Review

1. Once again, respondent raises a meritless waiver argument in an attempt to preclude review. Opp. 7-8, 26. The crime-fraud issue raised in the petition was plainly "passed upon" by the court below, and in any event the record is clear that Nobelpharma properly raised this issue in its briefs. *See* Pet. C.A. Br. 41-42 & n.9; Pet. C.A. Rep. 18; App., *infra*, 2a-3a, 6a-7a.

2. Respondent asserts (Opp. 24-26) that the crime-fraud exception was properly applied in this case because Nobelpharma allegedly sought legal advice for the express *purpose*

of assisting in a fraud. To the contrary, however, the decision below rests on no such determination; the court of appeals did not justify its holding on this ground, nor could it have done so, because in that court's view it was only the alleged advice received from counsel that supplied Nobelpharma with the requisite knowledge to support a finding of fraud. Pet. App. 26a; *accord id.* at 50a-51a. Put simply, Nobelpharma could not have been seeking legal advice for the purpose of perpetrating a fraud, because prior to the receipt of the alleged advice it did not have actual knowledge that the patent was invalid and fraudulent under U.S. law. *Id.*

3. In any event, respondent errs in denying the existence of a circuit conflict on this issue. Opp. 26-28. In circumstances precisely analogous to those found by the court of appeals in this case -- *i.e.*, where parties have consulted with counsel, have been advised not to engage in a particular course of criminal or fraudulent conduct, and have nonetheless proceeded to engage in that illegal conduct -- other courts have held that the crime-fraud exception does not apply. *United States v. Bauer*, 132 F.3d 504, 509-10 (9th Cir. 1997); *United States v. White*, 887 F.2d 267, 271 (D.C. Cir. 1989); *see generally* Pet. 26-28. Respondent's attempt to distinguish those cases is unavailing. The *White* court focused on the *attorney's* intent in providing the requested advice, without determining the client's intent in seeking the advice. 887 F.2d at 271. And neither the *Bauer* court nor the court of appeals in this case even adverted to the issue of "intent" that respondent finds so significant. In short, the conflicting decisions cited in the petition cannot be reconciled in the manner urged by respondent, and review is warranted to resolve the conflict and clarify that the crime-fraud exception does not extend to attorney communications that do not in any way further the client's subsequent crime or fraud.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted.

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APPENDIX

[EXCERPTS FROM OPENING BRIEF FOR NOBELPHARMA AB AND NOBELPHARMA USA, INC. IN THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT]

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Finally, as part of its defense to the antitrust charge and in an effort to prove its good faith belief in the validity of the '891 patent, NP attempted to present evidence of denials of summary judgment challenges to the validity of that patent. Although the challenges were based on much of the same evidence forming the basis of 3i's fraud allegations, the district court refused to permit NP to introduce *any* such evidence. (A 6355-57) NP further argued that the court should determine as a matter of law whether NP's infringement action was objectively baseless when brought in accordance with *Professional Real Estate Investors, Inc. v. Columbia Picture Indus., Inc.*, 508 U.S. 49, 60-61, 26 U.S.P.Q.2d 1641, 1646 (1993) ("*PRE*"). The court ruled that *PRE* did not apply. (A 5762-66, 6217-20)

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Furthermore, the district court erred by not granting a new trial to NP on the antitrust counterclaims because of a series of erroneous rulings which had the cumulative effect of denying NP the opportunity to present its defense, the omission of a *PRE* jury instruction and the submission of a joint venture theory of liability when the court later found that the record did not support such a theory.

* * * * *

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However, with regard to the crime-fraud exception, at

trial the district court erroneously pierced the privilege based solely on the bare allegations of fraud contained in the pleadings. (A 4416) ("The pleadings here suggest that there were actions taken in fraud.") However, it is well established that allegations in the pleadings are insufficient to pierce the privilege. *See, e.g., Ferguson v. Lurie,* 139 F.R.D. 362,366-67 (N.D. Ill. 1991); *Shirvani v. Capital Investing Corp.,* 112 F.R.D. 389, 391 (D. Conn. 1986).

Thereafter, in its post-trial opinion, the district court misapplied the law to the purported facts to uphold its prior ruling. To properly invoke the exception, there must be a showing that there is "probable cause" to believe that the crime or fraud has been committed and that there was a "purposeful nexus" between the communication and alleged crime or fraud. *See, e.g., In re Grand Jury Subpoena Duces Tecum,* 798 F.2d 32, 34 (2d Cir. 1986); *U.S. v. White,* 887 F.2d 267, 271 (D.C. Cir. 1989). As the district court itself correctly noted in its post-trial opinion, "the evidence must support the inference that the attorney's representation or advice assisted the client in committing the alleged offense." (A 53 (quoting *Sound Video Limited, Inc. v. Video Shack, Inc.,* 661 F. Supp. 1482, 1486 (N.D. Ill. 1987)). Here, the alleged attorney-client communications -- which NP denies even occurred -- did *not* advise NP to sue to enforce the patent and thus, by definition, did *not* aid in the wrongdoing alleged by 3i -- *i.e.,* enforcement of an invalid patent. Accordingly, such alleged communications by NP with its attorneys on this topic should have

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remained privileged, as clearly set forth in the cases cited by the district court in its post-trial opinion.[9]

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[9] *See Sound Video,* 661 F. Supp. at 1488 (attorney communications not assisting client in committing violation remain privileged); *Stopka v. Alliance of American Insurers, et al.* No. 95C 7487, 1996 WL 204324, *8-11 (N.D. Ill.,

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[48]

Moreover, the district court erroneously ruled, over NP's objection, that the two-part test of *PRE* did not apply to 3i's antitrust counterclaims. (A 5762-66, 6217-20) In *PRE*, the Supreme Court held that, in accordance with the *Noerr-Pennington* doctrine, the initiation of a lawsuit cannot constitute grounds for an antitrust violation unless the suit is a "sham." In defining "sham" litigation, the Court set out a two-part test. First, the lawsuit must be "objectively baseless" in the sense that no reasonable litigant could realistically expect to succeed on the merits. Only if the challenged litigation is objectively baseless does the court turn to the second prong, which concerns the subjective intent of the litigant in bringing the suit. *PRE*, 508 U.S. at 60-61, 26 U.S.P.Q.2d at 1646. This Court has applied *PRE* to the patent context, holding that before determining whether the bringing of a patent infringement suit rises to the level of an antitrust violation, the trier of fact must first determine whether the suit was objectively baseless when brought.[12]

April 25, 1996) (attorney communications recommending not firing employee remain privileged in employment suit).

[12]*See Filmtec Corp.*, 67 F.3d at 936-39, 36 U.S.P.Q.2d at 1413-15 (applying objectively baseless test to *Handgards* antitrust claim); *Glaverbel Societe Anonyme v. Northlake Marketing & Supply, Inc.*, 45 F.3d 1550, 1558, 33 U.S.P.Q.2d 1496, 1501-02 (Fed. Cir. 1995) (citing *PRE* for "objectively baseless" standard); *Carroll Touch, Inc. v. Electro Mechanical Systems Inc.*, 15 F.3d 1573, 1582-83, 27 U.S.P.Q.2d 1836, 1844 (Fed. Cir. 1993) (affirming summary dismissal of antitrust claim because infringement suit, though unsuccessful, was not objectively baseless).

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The district court ruled that the objectively baseless test of *PRE* did not apply to 3i's *Walker Process* and *Handgards* claims. (A 5762-66) As support, the court cited language from *PRE* noting that the Supreme Court had explicitly declined to decide whether the *Noerr-Pennington* doctrine provided antitrust immunity in a fraudulent procurement case. (A 5763)

The district court's ruling was incorrect. This Court and others have applied the objectively baseless test to *Handgards* type claims. *See, e.g., Filmtec Corp.*, 67 F.3d at 936-39, 36 U.S.P.Q.2d at 1413-15; *Bio-technology General Corp. v. Genentech, Inc.*, 886 F. Supp. 377, 380-382, 36 U.S.P.Q.2d 1169, 1171-73 (S.D.N.Y. 1995). Moreover, the rationale employed by the court to find that the test does not apply to 3i's fraudulent procurement claim -- that the existence of fraud presumes that the litigation was not legitimate -- ignores the factual circumstances of this case. This reasoning may be compelling when the party procuring the patent is the same party initiating the challenged infringement lawsuit. However, this is not the case here. NP was not involved in prosecuting the '891 patent -- it was a subsequent assignee. Thus, even if 3i could show that some fraud occurred in the procurement of the patent, which it has not, such a showing does not negate the possibility that it was objectively reasonable for NP to believe in the validity of the patent and the likelihood of its success on the merits when it brought this infringement suit. Indeed, the trial court noted in its post-trial opinion that implicit in its denial of 3i's summary judgment motion was the finding that NP's infringement action was not objectively baseless when brought. (A 38)

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Thus, the court's jury instructions, which omitted any consideration of the *PRE* test and allowed the jury to find exclusionary conduct based on NP's bringing this infringement action with knowledge that the patent was invalid, was improper. At a minimum, the district court should have in-

structed the jury that in order to find that NP's bringing of this lawsuit violated the antitrust laws, they first had to determine that the Suit was objectively baseless from the perspective of the assignee. No such instruction was given. Consequently, NP is entitled to a new trial on 3i's antitrust counterclaims.

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[EXCERPTS FROM REPLY BRIEF FOR NOBELPHARMA AB AND NOBELPHARMA USA, INC. IN THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT]

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[18]

3i cities no case authority to support the court's admission of this portion of Dr. Green's testimony under the crime-fraud exception where, as here, the purported communication did *not* aid in the wrongdoing alleged by 3i -- i.e., enforcement of an invalid patent -- because the alleged attorney-client communication did *not* advise NP to sue to enforce the patent and thus, by definition, did not aid in the alleged fraud. Nor does 3i distinguish the abundant cases cited by NP that demand an opposite conclusion. (NP Br. 41-42). In fact, 3i's own cases support NP's conclusion that the privilege never should have been pierced.[7]

3i sidesteps this critical issue and attempts to justify the court's piercing of the privilege under its "sense of fraud in the air" standard by pointing to the court's conclusion that NP's intent in seeking this purported legal opinion to deter-

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[7] Cases cited in 3i Br. at 41: *In Matter of Feldberg*, 862 F.2d 622, 629 (7th Cir. 1988) (privilege does not extend to advice in aid of future wrongdoing); *Cooksey v. Hilton International Company*, 863 F. Supp. 150 (S.D.N.Y. 1994) (attorney-client communications were made with an intent to mislead the plaintiff); *In re Bairnco Corporation Securities Litigation*, 148 F.R.D. 91 (S.D.N.Y. 1993) (crime-fraud exception may be applicable when legal opinion was misrepresented in the disclosure statements in furtherance of the fraud).

mine whether to commence legal action against one of its competitors, Core-Vent, was an afterthought to help NP perpetrate a fraud. (A 54). However, NP's then President Mr. Claesson -- whom according to Dr. Green's testimony requested the legal opinion in the first place (A 4380) -- testified that NP sought legal advice "so we really would know when we had a competitor that we would believe infringe on our patent. Then we would be prepared to bring this to court if we had a situation where we would be right. During my time it was more to be prepared than to take a standpoint on a certain company like Core-Vent." (A 6516-17). This testimony hardly supports a conclusion that NP was seeking a legal opinion as an afterthought to perpetuate a fraud. Moreover, Mr. Claesson testified that no such opinion was given to his knowledge. (NP Br. 43)

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[25]

With regard to the *PRE* issue, the core of NP's position is that the district court in the first instance should have determined as a matter of law whether NP's infringement action was "objectively baseless" in accordance with the two-part test set forth in *Professional Real Estate Investors, Inc. v. Columbia Pictures Indus., Inc.*, 508 U.S. 49, 60-61, 26 U.S.P.Q.2d 1641, 1646 (1993) ("*PRE*"). However, the district court ruled that *PRE* did not apply. (NP Br. 19) 3i's argument that NP somehow waived this issue because it objected to a proposed jury instruction (3i Br. 23-24) -- which did not even set forth the two-part *PRE* test -- misses the mark because at issue is whether the district court committed error when it (i) ruled that *PRE* did not apply to NP, a patent assignee, and (ii) did not make an "objectively baseless" determination itself.

* * * * *

[EXCERPTS FROM JOINT APPENDIX IN THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT]

[EXCERPTS FROM NOBELPHARMA'S MOTION FOR JUDGMENT AS A MATTER OF LAW]

* * * * *

[A1089]

E. JUDGMENT SHOULD BE ENTERED AS A MATTER OF LAW IN FAVOR OF NOBELPHARMA BECAUSE 3I HAS PRESENTED NO EVIDENCE ESTABLISHING THAT THE LITIGATION BY NOBELPHARMA WAS OBJECTIVELY MERITLESS WHEN BROUGHT

The Noerr-Pennington doctrine establishes that the bringing of a lawsuit is immune from attack under the antitrust laws. An exception to this principle exists if the antitrust defendant has engage in sham litigation.

Under the law as provided in Professional Real Estate Investors, Inc. et al. v. Columbia Pictures Industries, Inc., U.S. ____, 123 L.Ed.2d. 611 (1993) the Supreme Court held that a

[A1090]

plaintiff, to proceed on a claim that litigation had been brought as a sham, that plaintiff must first show that the challenged lawsuit is "objectively baseless in the sense that no reasonable litigant could realistically expect success on the merits." In other words, the Supreme Court stated that "to pass this . . . test the plaintiff must show that the defendant lacked probable cause to institute an unsuccessful civil lawsuit."

In this case, 3i has not presented evidence from which it can pass this test. Here, no witness for 3i has testified that even when the most reasonably favorable assessment of the

facts are measured against the most reasonably favorable principles of law, Nobelpharma (as a reasonable litigant) must have concluded that it had no possibility of prevailing in this litigation as of July 23, 1991. Further, 3i has not even presented evidence of these foundations from which the trier of fact could make this determination. Thus, 3i has neither presented all of the publicly known facts regarding the '891 patent as of July 23, 1991 pertinent to this issue, nor has it presented the reasonable range of interpretations that might be made from the statutory and case law as of July 23, 1991, in view of those facts.

3i has presented a case that has only sought to establish bad faith (i.e., an improper motive) by Nobelpharma in bringing this case. However, the Supreme Court has overruled all law previously establishing that motive alone is sufficient to avoid the application of the Noerr-Pennington doctrine. See,

[A1091]

Carroll Touch, Inc. v. Electro Mechanical Systems, Inc., 15 F.3d 1573, 1583 n.10 (Fed. Cir. 1993) (Evidence of motive need not be considered when antitrust plaintiff failed to establish that patent infringement action was so baseless that no reasonable litigant could realistically expect to secure favorable relief.)

Additionally, for purposes of the motion, the Court can take judicial notice of its prior rulings denying summary judgment to 3i in these proceedings as well as the decision denying the summary judgment motions filed in the Core-Vent and OTC cases. This evidence alone establishes that the litigation was not objectively baseless. See, e.g., Harris Custom Builders, Inc. v. Hoffmeyer, 834 F.Supp. 256, 261-62 (N.D. Ill. 1993) ("An action that is well enough grounded, factually and legally, to survive a motion for summary judgment is sufficiently meritorious to lead a reasonable litigant to conclude that they had some chance of success on the merits.")

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[EXCERPTS FROM NOBELPHARMA'S POST-TRIAL MOTION FOR JUDGMENT AS A MATTER OF LAW OR A NEW TRIAL]

[A1104]

c) Lack of Legally Sufficient Evidence To Support Finding That The Challenged Lawsuit Was "Objectively Baseless"

Under the Noerr-Pennington doctrine, a party is immune from attack under the antitrust laws for commencing a lawsuit unless the party has engaged in sham litigation. See Professional Real Estate Investors, Inc., et al. v. Columbia Pictures Industries, Inc., 113 S. Ct. 1920, 1926 (1933). To proceed on a claim that litigation had been brought as a sham, the plaintiff must first show that the challenged lawsuit is "objectively baseless in the sense that no reasonable litigant could realistically expect success on the merits" Id.,

[A1105]

at 1928. In this case, 3i only introduced evidence which pertained to the alleged bad faith and improper motive by Nobelpharma in bringing this case. However, evidence of an improper motive is insufficient to avoid the immunity protection offered under the Noerr-Pennington doctrine. See Carroll Touch, Inc. v. Electro Mechanical Systems, Inc., 15 F.3d 1573, 1583 n.10 (Fed. Cir. 1993). Moreover, this Court's prior ruling denying summary judgment to 3i in this proceeding alone establishes that the litigation was not objectively baseless. See, e.g., Harris Custom Builders, Inc. v. Hoffmeyer, 834 F. Supp. 256, 261-62 (N.D. Ill. 1993).

* * * * *

[A1113]

(iii) The Court erred by failing to instruct the jury that in order to find that Nobelpharma's enforcement of the '891 patent through this infringement action was an antitrust violation they must first find that this lawsuit was objectively baseless when brought in accordance with Professional Real

Estate Investors, Inc. v. Columbia Pictures Industries, Inc., 113 S. Ct. 1920, 1928 (1993).[8]

* * * * *

[EXCERPTS FROM TRIAL TRANSCRIPT]

[A5591]

THE COURT: We will take the motion for the record and then hear argument at the most opportune time.

MR. BECKER [Counsel for Nobelpharma]: Is this the opportune time?

THE COURT: Not the argument, but the motion.

MR. BECKER: Our motion, your Honor.

* * * * *

And further, in our motion for judgment as a matter of law,

* * * * *

[A 5593]

Next, 3i has presented to evidence establishing that the litigation brought by Nobelpharma was objectively meritless. Thus, the entire claim based on antitrust violation should be dismissed.

* * * * *

THE COURT: Okay. The motion is entered. We will take argument at the most opportune time, which I think may very well be tomorrow if we work successfully on our jury

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[8] The Court improperly overruled Nobelpharma's objection that the two-part test established by Professional Real Estate presents questions of law and instead submitted questions to the jury that omitted the "objectively baseless" prong of the test. Tr. at 4167-68, 4170.

instruction time, then we will have some opportunity I hope to find some time to listen to arguments on that.

MR. BECKER: Thank you, your Honor.

* * * * *

[A 7032]

MR. J. OLSON [Counsel for Nobelpharma]: Your Honor, for purposes of the record, I believe that counterplaintiff has now concluded their evidence. We would renew our motion for directed judgment as a matter of law at the close of all the evidence.

THE COURT: Okay. I have that.

MR. J. OLSON: On the same grounds.

THE COURT: Yes. Well I assumed that. And I have those there, and I will give you a ruling as soon as we can get the jury out. Okay?

MR. MC CABE: Okay. Thank you, your Honor.

* * * * *

[A 7238]

[JURY INSTRUCTIONS]

You must also decide whether counterdefendants, or either one of them, have been enforcing the '891 patent through litigation with actual knowledge that this information was knowingly and willfully omitted from the '891 patent application.

* * * * *

[A 7240]

3i also contents that the counterdefendants have acquired or maintained monopoly power in violation of the Sherman Act by bringing infringement actions involving the '891 patent against other competitors, including 3i, for the purpose of interfering directly with 3i's ability to compete in the relevant market. Nobelpharma AB, as owner of the '891 patent, is

entitled to the presumption that its infringement action against 3i was brought in good faith. A patent owner is entitled to bring a patent infringement suit to protect its patent rights, and the bringing of such a suit does not ordinarily violate the Sherman Act, even where the patent is later determined to be invalid or unenforceable. But if the patent owner knows that the patent on which it was suing is invalid or unenforceable, there may be a violation of the Sherman Act.

If you find that 3i has proven by clear and convincing evidence that counterdefendants knew that the '891 patent was either invalid or unenforceable at the time the suit was brought against 3i in July of 1991, and that this lawsuit was brought by counterdefendants for the purpose of interfering directly with 3i's ability to compete in the relevant market, then you may find that this action was brought in bad faith.

If you find that 3i has not met its burden in proving bad faith on the part of counterdefendants, you are not to consider further 3i's assertion that counterdefendants

[A 7241]

violated Section 2 of the Sherman Act based on bad faith enforcement of the '891 patent. If you find that 3i has carried its burden of bad faith enforcement of the '891 patent, then you must decide whether the remaining elements of Section 2 monopolization charge have been proven -- of a Section 2 monopolization charge have been proven by 3i.

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